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CY 2022 ELECTRIC UTILITY ENERGY EFFICIENCY PLAN & REPORT UNDER 16 TAC 25.181	**§**	**PUBLIC UTILITY COMMISSION OF TEXAS**

COMMENTS OF
TEXAS CONSUMER ASSOCIATION
& ALISON SILVERSTEIN CONSULTING

COMES NOW the Texas Consumer Association, a non-profit advocate representing small business and individual Texas customers on pocketbook issues, and Alison Silverstein, an independent energy consultant, to offer these comments on the Texas transmission & distribution utilities' Energy Efficiency Plan and Report (EEPR) filings submitted in this docket.

These comments do not address specifics of the individual utilities' 2022 EEPR filings, but rather offer observations, suggestions and policy recommendations applicable to all of the 2022 Energy Efficiency Plans for 2022 and 2023.

Policy context -- Texas should invest in more energy efficiency and demand response

Although it is unlikely that Texas utility energy efficiency (EE) and demand response (DR) requirements will be raised for the 2022 and 2023 program years, we must open with two observations. First, well-designed, well-administered energy efficiency and demand response programs are the most cost-effective and dependable ways to enhance Texas and ERCOT power system reliability and resource adequacy. These resources can be designed to specifically reduce summer and winter peak and ramping requirements, cost far less than supply-side options, reduce the risks and consequences of supply-side resource and fuel failures, and deliver energy, capacity, electric bill savings, jobs, economic growth and human comfort and well-being year-round. Second, although Texas has more potential cost-effective energy efficiency than any

other state – potentially 12.3% of annual state electric sales by 2025 and higher in later years[1] -- our state today ranks near rock-bottom in the quality of our utility energy efficiency and public benefits programs and policies.[2] Many states have EE goals to achieve savings of at least 2% of annual electricity sales, yet Texas' EE goal remains to save only 30% of incremental annual electric load growth and 0.4% of prior year peak reduction growth. In 2019 Texas spent only 6.77 cents per capita on electric energy efficiency programs, compared to the national median of 15.12 cents per capita.[3] We are wasting customers' money and compromising our economy by not raising our EE and DR goals to take advantage of these massive potential savings.

Most other states and regions are investing in EE and DR integrated with automated controls as essential tools to improve resource adequacy and create demand flexibility to facilitate the integration of renewable energy. They are also using aggressive EE and DR programs to advance equity and economic growth. Importantly, EE investments deliver benefits that compound over time – for instance, the nation's ratepayer-funded EE programs saved 26.6 million MWh from the 2020 program efforts plus 259 million MWh of EE savings accruing from measures implemented in prior years.[4] But because Texas has used such low EE and DR savings goals for so long, we have foregone huge potential energy and reliability benefit and great cost-effectiveness returns, with the result that our out-of-control demand growth led to Winter Storm Uri's disastrous, deadly supply deficit.

Specific recommendations

[1] C. Holmes & S. Mullen-Trento, "State Level Electric Energy Efficiency Potential Estimates," Electric Power Research Institute, Technical Update, May 2017.
[2] Berg, Weston et al., "The 2020 State Energy Efficiency Scorecard," American Council for an Energy-Efficient Economy, December 2020, p. xi.
[3] Ibid, p.144.
[4] Berg, Weston et al., "State Energy Efficiency Scorecard: 2021 Progress Report," American Council for an Energy-Efficient Economy, February 2022, p. 14.

Even if the Commission is not prepared to increase EE and DR goals to levels more appropriate to meet ERCOT's current resource adequacy and operational reliability challenges in the most cost-effective way possible, other steps can improve the TDUs' EE programs immediately.

1) Require the TDUs to spend their full budgets every year -- Since the Texas utilities consistently achieve energy and peak demand savings above their regulatory required levels, and stop spending when they've reached those goals, require them to spend their entire budget and deliver higher actual efficiency and DR savings each year.

2) Stop funding commercial and new residential photovoltaic installations through the EE budget – The cost of PV panels has dropped significantly since the EE program was created, and there are many other ways for commercial and new residential customers to finance rooftop PV. Only low-income and multi-family properties should receive TDU EE funding for rooftop PV. Dropping EE funding for already economical PV for commercial and new residential housing will not materially change the number of PV installations in Texas, but redirecting those funds to actual EE measures will yield more energy and peak load savings.

3) Require every TDU to offer remote home energy efficiency assessment reports – Self-administered and remote virtual home energy efficiency assessments help customers identify and implement actions to reduce their energy usage and bills. These assessments can reach and motivate many residents who would not otherwise have been reached by conventional utility EE programs.[5] Assessment programs could be used as a low-cost way to reach many more residential customers and motivate those customers to invest in EE upgrades. Remote assessments can be supplemented and complemented by behavioral energy efficiency programs,

[5] See Cooper, Emma et al., "Remote Home Energy Assessments," American Council for an Energy Efficient Economy, December 2021.

that motivate customers to save and shift their electric use without ratepayer-funded structural efficiency measures such as appliance replacements and home upgrades.[6] These could prompt near-term customer actions that could significantly reduce energy use and peak load and enable customers to respond quickly and appropriately to future emergency conservation requests. Behavioral efficiency programs and home energy efficiency assessments are also valuable tools to motivate customers to make EE and DR investments individually and within TDU-initiated programs. And because behavioral programs are conducted and documented online, established M&V methods exist to determine and document how customers change their energy use in response to the behavioral feedback.

4) Set a winter peak reduction goal as well as a summer peak goal – Winter Storm Uri made it clear that Texas has significant winter electricity issues in addition to our historic summer peak demand focus. To moderate this risk, the Commission should direct the TDUs to prioritize EE and DR measures such as home weatherization, high-efficiency heat pumps, and programmable thermostats that can ameliorate winter as well as summer peaks.

5) Prioritize EE and DR for critical facilities and critical feeders – If the existence of critical facilities on a feeder can justify protecting all the load on that feeder from an emergency outage, then we should make critical facilities less vulnerable to electricity loss and reduce their total electricity usage. TDUs could focus commercial EE offerings particularly to community-serving critical facilities such as hospitals, water and wastewater operational facilities.

6) Restructure the TDU bonus provisions – It is entirely appropriate for the TDUs to earn shareholder bonuses for running programs that successfully reduce electricity throughput. But as the Commissioners have already observed, current TDU bonus levels are excessive, particularly

[6] See, for instance, work by Uplight, Advanced Energy Economy and Analysis Group.

given how easily and consistently the TDUs are exceeding their EE savings targets. The current bonus calculation method should be revised to yield a lower shareholder return on the utilities' EE-DR program accomplishments.

7) Work with the State Energy Conservation Office and others to encourage the use of aggressive energy efficiency building codes and standards for new Texas residential and commercial construction and prohibit the use of highly inefficient appliances that will worsen rather than enhance grid reliability under extreme heat and cold conditions. If we build better efficiency into new structures from the start, that will lessen the stress that Texas' fast population growth places upon the power system and reduce the need for future energy efficiency remediation of those buildings.

8) Require all future EEPR filings to report both the number of customers provided with each specific EE-DR measure and the total number of customers or premises receiving EE-DR services from the program (to avoid double-counting customers who receive multiple measures).

Conclusion

The Texas Consumers' Association and Alison Silverstein Consulting believe that expanding energy efficiency and demand response at speed and scale are critical to improving the resource adequacy and operational reliability of the ERCOT power system, and to realize economic savings and power bill reductions for all Texans. We recognize that this proceeding concerns review of 2022 programs and proposals for 2023 programs, and that the Commission is not ready to reevaluate Texas' EE-DR programs and goals. Nonetheless, there are concrete changes that the Commission could adopt today to make the TDUs' EE-DR programs more impactful and useful for Texans, even without major structural changes to program goals. We encourage consideration and adoption of the above recommendations immediately.

Respectfully submitted,

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